

SEMI-ANNUAL IMPLEMENTATION STATUS

INTERNAL AUDIT REPORT #17-03
JANUARY 09, 2017

Scope

This report reflects the status as of November 2016 of outstanding corrective action plans (CAP's) resulting from internal audits and other audit projects.

Status Highlights

Internal Audit tracked seven audits during the Fall 2016 status cycle which included a total of 54 individual CAP's of which 43 (80%) are fully implemented or substantially complete. The timeliness of implementing CAP's on schedule has decreased since the last status update.

CAP implementation updates are listed in chronological order by date of audit report issuance. The status highlights were selected based upon the auditor's professional judgment and do not represent every audit or status change within the last six months. Appendix A provides a summary of the implementation status of all CAP's. To facilitate a review of this report, status coding is as follows:

■	Significant delays or conditions which impede implementation of planned corrective actions.
▲	Moderate delays or conditions exist which slow implementation of corrective actions.
●	Implementation of corrective actions is complete or progressing on schedule.
◆	Delayed recommendation is now getting "back on track."

Rail Capital Projects Audit

[REPORT #14-04](#), JULY 16, 2014

- ◆ **Project Management Standards & Training:** Capital Metro's FY2017 capital budget includes approximately \$69.8 million of rail capital projects, or 44% of the total capital budget. The Enterprise Project Management Framework Initiative is implementing agency-wide project management processes, tools, templates as well as training materials. The Authority's new framework will be piloted with four projects during CY2017 Q1 and then rolled out to all projects by the end of FY2017. According to the Project Management Institute, the use of consistent project management standards boosts the chances of project success from 34% to 89%.

Strategic Plan Performance Measure Certification Audit - Ridership

[REPORT #15-06](#), AUGUST 12, 2015

- **Strategic Plan under revision:** A strategic planning workshop was held with executive management in November 2016. Proposed revisions to the Strategic Plan and performance goals will be brought to the Board in February 2017. In 2016, annual ridership declined by 3.5 percent. Ridership in 2017 is projected to slightly increase by .51%. The FY2016 year end update went to the Board in December 2016.

Procurement Card (P-Card) Audit

[REPORT #15-14](#), OCTOBER 14, 2016

- **P-card compliance monitoring implemented:** User training on the revised Procurement Card and Business Meals Policies were completed by fiscal year end. The revised policies clarified allowable versus unallowable purchases as well as escalation procedures for repeated violations to assist in reducing the occurrence of inappropriate purchases.

Investment Recovery Audit

[REPORT #16-06](#), MAY 11, 2016

- **Available surplus property list shared:** A perpetual inventory of available surplus assets is posted on SharePoint for all staff to review and determine if surplus items in inventory can be utilized for their department needs.
- ▲ **Disposal of surplus Technology Assets:** Opportunities for buyback, leasing, or migration to cloud services, will be assessed as major technology refresh events occur. (The next opportunity will be in the first quarter of FY17.) If used, these alternatives will limit the need to dispose of used technology assets in the future. The Sustainability Officer, Investment Recovery Specialist and IT Department are also evaluating other disposition methods which minimize liability and environmental impacts. For example, the Austin Recycle & Reuse Drop-Off Center accepts electronics, appliances, furniture, paint and hazardous waste, and other recyclable items that do not have value.

The following projects have had no significant updates since last reported:

Fuel Controls Audit

[REPORT #16-08](#), AUGUST 15, 2016

- ▲ **Process to terminate fuel equipment access has been delayed pending new fueling equipment:** The installation of the new Gasboy fueling equipment is expected to be completed at the 2910 headquarters by the end of March 2017. An exact timeline has not been established for installation at the remaining service locations. New procedures for a quarterly review of users' access will be developed once the upgrades to the fueling system goes live. Access should be confirmed periodically to ensure that only authorized users have the ability to dispense fuel.

Treasury & Fare Revenue Audit

[REPORT #15-02](#), APRIL 15, 2015

- ▲ **Revenue & Fares Manager hiring delayed:** A new CFO joined the Authority in November 2016. She is currently analyzing the Finance Department staffing requirements but expects to recruit for a Revenue & Fares Manager in Spring 2017. This position would be responsible managing and coordinating revenue programs and systems. In the interim, the CFO has assumed responsibilities for all revenue processing agreements.

RailComm Security Assessment

SECURITY ASSESSMENT BRIEFING, OCTOBER 14, 2016

- **Progress underway:** An external vulnerability assessment of Capital Metro physical facilities identified opportunities to enhance security of the Rail Dispatch Office which are under discussion. The IT Department extended cyber security training to all contractors with a "@capmetro.org" email account. Any contractors who have not completed this training will have their accounts disabled. The majority of the remaining cyber security improvements are also pending further discussion and most will be evaluated as part of the Positive Train Control (PTC) implementation project.

Why status updates are important

United States General Accountability Office (GAO) standards specify that management is responsible for “addressing the findings and recommendations of auditors, and for establishing and maintaining a process to track the status of such findings and recommendations.”¹ Internal auditors are required to follow-up to determine whether appropriate corrective actions have been taken.²

Closing

Internal Audit is grateful to Capital Metro management and staff who have worked to implement improvements in controls and processes. Their cooperation and assistance is instrumental to the success of the Authority.

Regards,
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VP, Internal Audit

cc: Capital Metro Board of Directors
Linda Watson, President / CEO
Elaine Timbes, Deputy Chief Executive Officer and Chief Operating Officer
Dottie Watkins, VP, Bus and Paratransit Services
Reinet Marneweck, VP / Chief Financial Officer
Kerri Butcher, Chief Counsel
Gerardo Castillo, Senior VP, Chief of Staff
Melvin Clark, VP, Rail Operations
Ken Cartwright, VP, Capital Projects
Donna Simmons, VP Administration & Risk Management Compliance Officer
Joe Iannello, Chief Information Officer
Muhammad Abdullah, Director Procurement
Lea Sandoz, Controller
Rafael Villarreal Jr., Director of Contract Oversight – Bus and Paratransit Services
Pat Vidaurri, Manager Performance & Strategic Initiatives

¹ GAO-12-331G Government Auditing Standards, 2011 Revision, Section A1.08.f: <http://www.gao.gov/assets/590/587281.pdf>

² GAO-12-331G Government Auditing Standards, 2011 Revision, Section 7.05.

Appendix A: Implementation Status Detail

Report Date	Project Name	Implementation Status						Timely	
		Complete	Substantially Complete	In Process	Closed / WD	Not Implem.	Not Due		
7/16/14	Rail Capital Projects Audit	7	0	3	0	0	0	60%	
7/15/15	Fit for Duty Audit	8	2	0	0	0	0	70%	
4/15/15	Treasury & Fare Revenue Audit	11	0	2	0	0	0	61.5%	
8/12/15	Strategic Plan KPI Certification Audit - Ridership	3	1	0	0	0	0	50%	
10/14/15	Procurement Card (P-card) Audit	4	2	0	0	0	0	66%	
5/11/16	Investment Recovery Audit	1	1	1	0	1	3	25%	
8/15/16	Fuel Controls Audit	1	2	1	0	0	0	75%	
TOTALS									
	Current Update Fall 2016	Quantity	35	7	8	0	1	3	60.8%
		Percentage	64.8%	12.9%	14.8%	0.0%	1.9%	5.6%	
	Previous Update Spring 2016	Quantity	30	7	2	0	5	0	71.4%
		Percentage	68.2%	15.9%	4.5%	0.0%	11.4%	0.0%	

Action item status categories:

- Complete** Intent of the corrective action plan item has been met and no further corrective action is required. In some instances, Internal Audit monitors to ensure continuity.
- Substantially Complete** Greater degree of progress towards completion than "In Process" and may not require further steps beyond continued performance, monitoring, and/or experience with the actions.
- Closed / WD** Open corrective action plan item was withdrawn or otherwise closed without implementation because the reported condition or risk no longer exists.
- In Process** Some progress towards implementation of corrective action plan has been made but additional actions are required before intent is met.
- Not Implemented** No measurable progress towards implementation of corrective action plan (excludes action plan items for which the target date has not yet been reached).
- Not Due** The original CAP implementation date has not been reached and/or other conditions needed to assess implementation status have not occurred.
- Timely** This represents the relative percentage of all corrective action plans for which intent was met by the stated target date. The total figure represents a weighted average for all applicable updates.